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**CENTRAL INTELLIGENCE AGENCY****OFFICE OF NATIONAL ESTIMATES**

15 February 1952

**STAFF MEMORANDUM NO. 199****SUBJECT: Conflicting US and UK Estimates of the Iranian Situation**

1. Recent discussions between State Department officials and British representatives have revealed a number of fundamental differences between the two countries concerning the Iranian situation. These discussions are continuing and may decisively affect US policy concerning budgetary aid to Iran and the UK attitude toward the current negotiations between Iran and the IBRD.

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2. The State Department view may be summarized as follows:

In the absence of an oil settlement and US budgetary assistance to Iran, Mossadeq will probably try to sell oil to the Soviet bloc or seek assistance in another form from the USSR, thus presenting a great risk of the loss of Iran to the West. Even if Mossadeq did not turn to the USSR for assistance, the present financial crisis could lead to conditions conducive to the establishment of a Communist-dominated regime. While Mossadeq's request for US aid may be designed to frighten the US, he is genuinely worried by difficulties confronting him and after the elections may be less rigid in discussing an oil settlement. If an oil settlement is achieved, Mossadeq is likely to channel nationalist fervor against Tudeh and take increasingly firm action against it. He may also embark on a program of social and economic reform in order to retain popular support and undercut Tudeh's appeal.

3. The British argument runs somewhat as follows:

Mossadeq wants the US and the UK to think he is about to turn to the USSR, in order to frighten the US into giving Iran financial assistance and the UK

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into capitulating on the oil dispute. However, it is unlikely that Mossadeq will turn to the USSR for assistance because of the traditional Iranian fear of Russia. At the same time, it is highly improbable that he will try to check Communism in Iran, regardless of the outcome of the oil issue, not only because of his ideas of political freedom but also for fear of offending the USSR. The continuation of Mossadeq in office, therefore, presents the greatest danger of Iran going Communist. Iran's present financial difficulties might not lead to an acute crisis since critical situations often continue for a long time in Iran without sudden deterioration.

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4. The Board will note that the State Department position and [ ] are inconsistent in certain important respects. The latter takes the position that the shortage of tankers would prevent the sale of significant quantities of Iranian oil to the Soviet bloc and that Mossadeq would not accept the terms on which the USSR might be willing to extend other forms of assistance. [ ] while admitting that "the present financial crisis could lead to conditions conducive to the establishment of a Communist-dominated regime," states that Mossadeq would probably forestall financial collapse until at least the end of the summer of 1952 and that in any event Tudeh could not come to power during 1952. While [ ] estimated that Mossadeq could more easily put through emergency fiscal and economic measures after the elections, it gave no indication that the new Majlis would permit Mossadeq to adopt a less rigid position in regard to an oil settlement. In view of the gains made by such extremists as Kashani in the elections to the new Majlis, there is little reason to believe that Mossadeq will in fact be in a position to modify his attitude on the oil issue to any significant extent after the elections. He has already characterized the recent IBRD proposals as unacceptable to Iranian opinion. [ ] did not consider the probable attitude of the Mossadeq regime toward Tudeh in the event of an oil settlement. However, State's views that nationalist sentiment would be turned against Tudeh and that the government would take increasingly firm action against it appear unduly optimistic for the reasons stated by the British.

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5. The Board will also note that the British views and [ ] are largely consistent, with the major exception of the British conclusion that the continuation of Mossadeq in office presented the greatest danger of Iran going Communist. As stated above, [ ] took the view that Tudeh could not come to power in any event during 1952, but that unless authoritarian rule were established, either by the National Front or the Conservatives, Tudeh potentialities would greatly increase. [ ] did not estimate the likelihood of authoritarian rule being established.

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6. In the current negotiations between Mossadeq and IBRD representatives, the former has refused to accept the IBRD proposal (presumably insisted upon by the British) that some British technicians be permitted to return to Abadan. Unless the IBRD and the British give way on this issue, there appears to be little likelihood of a settlement being reached. Mossadeq is unlikely to modify his attitude irrespective of whether or not he obtains budgetary aid from the US.

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